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The President's Daily Brief

January 21, 1974

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

January 21, 1974

PRINCIPAL DEVELOPMENTS

Israeli Chief of Staff Elazar yesterday announced that Israeli forces will begin their withdrawal from the west bank of the Suez Canal on January 25. (Page 1)

Egyptian Foreign Minister Fahmi is scheduled to go to Moscow today, presumably to try to convince the Soviets that Cairo has not cooperated too closely with the US in negotiating the disengagement agreement. The Soviet delegation in Geneva has suggested that the Geneva talks be reactivated soon. (Page 3)

Paris' decision to float the franc unilaterally has prompted major foreign capitals to shut their international money markets, out of fear of a run to dollars or gold. Prospects for the survival of the joint float are still poor. (Page 4)

Fighting was light and indecisive along Phnom Penh's southern defenses over the weekend, and there is still no indication as to when the Khmer Communists will commit major elements to the campaign. (Page 5)

The Chinese gained complete control over the Paracel Islands yesterday after following up yesterday morning's air strikes with an amphibious assault. (Page 6)

President Peron has publicly declared war on terrorist groups in Argentina following yesterday's massive guerrilla attack on an army garrison south of the capital. (Page 7)

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ARAB STATES - ISRAEL

Israeli Chief of Staff Elazar yesterday announced that Israeli forces will begin their withdrawal from the west bank of the Suez Canal on January 25. The first area to be evacuated will be that south of the Cairo-Suez road. This withdrawal will reopen the road to Egyptian traffic, thereby freeing the encircled Third Army.

The announcement came after a meeting yesterday between Elazar and Egyptian Chief of Staff Gamasy at Kilometer 101. Their meeting was the first of several scheduled to work out arrangements for implementing the disengagement agreement signed on January 18. Since the accord was signed, no significant cease-fire violations have been reported.

Egyptian officials are making determined efforts to marshal wide Arab backing for the agreement with Israel. President Sadat over the weekend took his case to the leaders of Saudi Arabia, Syria, Kuwait, Bahrain, Qatar, and the United Arab Emirates. Although most appeared eager to be briefed on the details of the disengagement accord, none proffered enthusiastic public support.

Sadat is particularly eager that Syria's President Asad withhold criticism of Egypt's initiative in negotiating with Israel. Syria so far has not issued an official reaction to the agreement.

At home, Egyptian officials are appealing for popular support for the agreement by stressing the concessions made by Tel Aviv. Egypt's only political party, the Arab Socialist Union, issued a statement on January 19 minimizing Egypt's commitments under the agreement and emphasizing that Cairo had accepted the buffer zone "on the basis that it can move any amount of its forces and equipment" to the east at any time if necessary.

The Egyptian media have publicized the general terms of the agreement and have praised it as completing implementation of the earlier six-point accord. Al Ahram has cautioned, however, that the latest agreement is but a preliminary step toward the implementation of more basic UN resolutions and that disengagement must also be applied to the Syrian front.

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Libya, Iraq, and radical fedayeen groups have criticized Egypt for signing the agreement with Israel. Opposition from the Palestine Liberation Organization may be restrained somewhat when Chairman Yasir Arafat returns to Beirut from Cairo; Arafat has already denounced the position taken by the PLO in his absence.

Israel's leaders continue to defend the agreement in their efforts to counter criticism from the opposition Likud bloc. The Jerusalem Post has published a front-page story purporting to give details of the secret bilateral accords signed by Egypt and Israel with the US; the story may have been leaked by government officials hoping to play up provisions of the agreement that could help reduce domestic opposition.

Likud is calling for mass protest demonstrations to coincide with this week's opening of the new Knesset. An initial rally in Tel Aviv Sunday night drew a crowd estimated at several thousand. Following an address by Prime Minister Meir tomorrow, the Knesset is scheduled to debate the agreement.

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USSR-EGYPT

Egyptian Foreign Minister Fahmi is scheduled to go to Moscow today, according to Cairo's Middle East News Agency. Part of his task presumably will be to convince the Soviets that Egypt has protected its own interests and has not cooperated too closely with the US in negotiating the disengagement agreement.

In Geneva, Soviet Ambassador Vinogradov--who heads the Soviet delegation to the Geneva conference--on January 17 largely reiterated the criticism voiced the previous day in Moscow by Foreign Minister Gromyko to the Egyptian ambassador there

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[redacted] Vinogradov told the Egyptian ambassador in Geneva that Cairo had forgotten its true friends and that he was under pressure from certain Arab states to reconvene the Geneva conference. When asked to identify these states, Vinogradov reportedly backed off. Vinogradov's deputy, Y. D. Pyrlin, got in touch with the US delegation in Geneva on January 18 for the first time in two weeks and suggested that the Geneva talks be reactivated soon.

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INTERNATIONAL MONETARY

In reaction to France's unilateral decision to let the franc float, West Germany, Japan, Belgium, and the Netherlands have closed their international money markets. Foreign capitals are fearful that traders will step up their movement into dollars or, to a lesser extent, gold.

Paris' decision will put more pressure on the industrial nations to resolve financial problems resulting from higher oil prices.

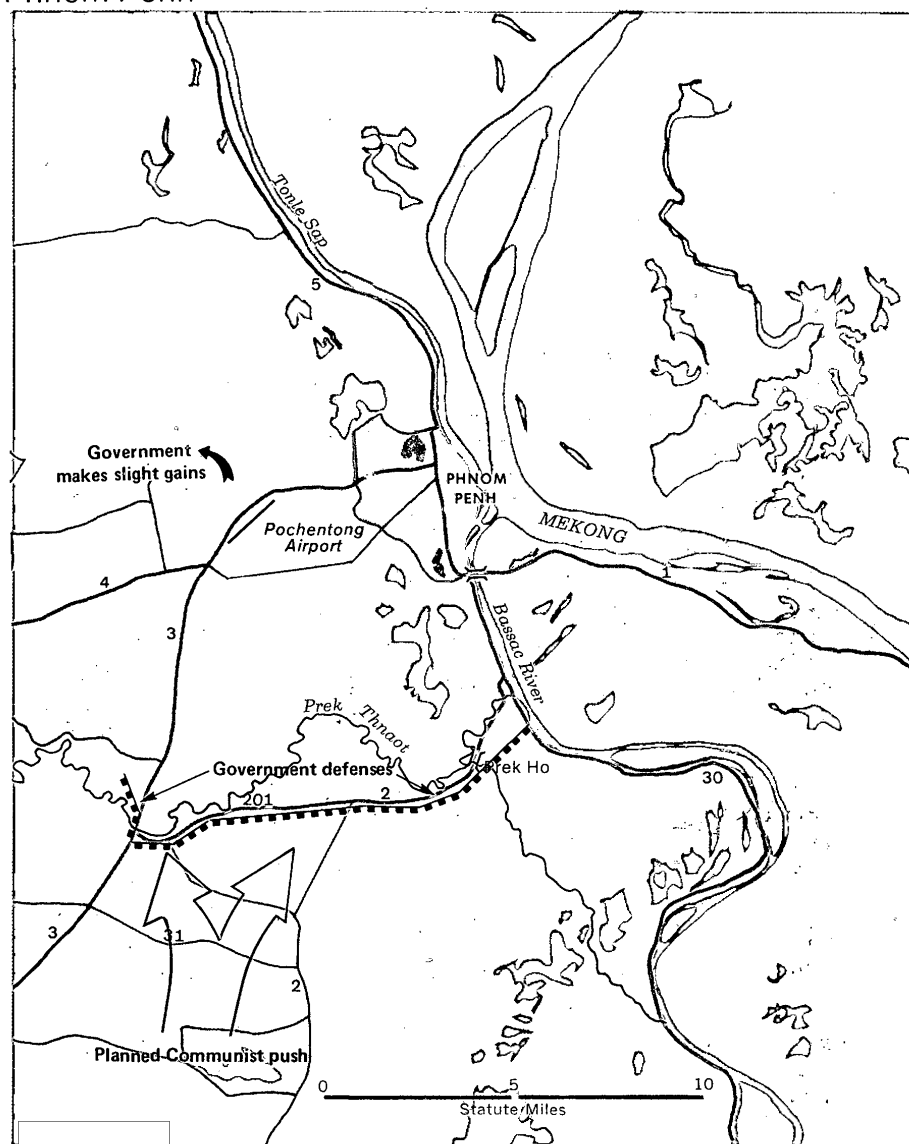
Finance ministers and central bank governors from the Benelux countries met yesterday to discuss the issue. They called for a meeting of Common Market countries to consider ways to maintain what is left of the European joint float.

Although the French action eases the strains on the joint float, its prospects for survival are poor. With the French pullout, the mark is the only major currency left. The Scandinavian and Benelux nations--the other participating countries--will be reluctant to draw down their reserves to support a truncated float.

The French decision clearly reflects the heavy reserve losses Paris has experienced in defending the franc; France has spent over \$2 billion since last fall to maintain the franc's position in the joint float. Some French observers predict that Paris will take further steps, such as tightening exchange controls, to protect its reserves.

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Phnom Penh



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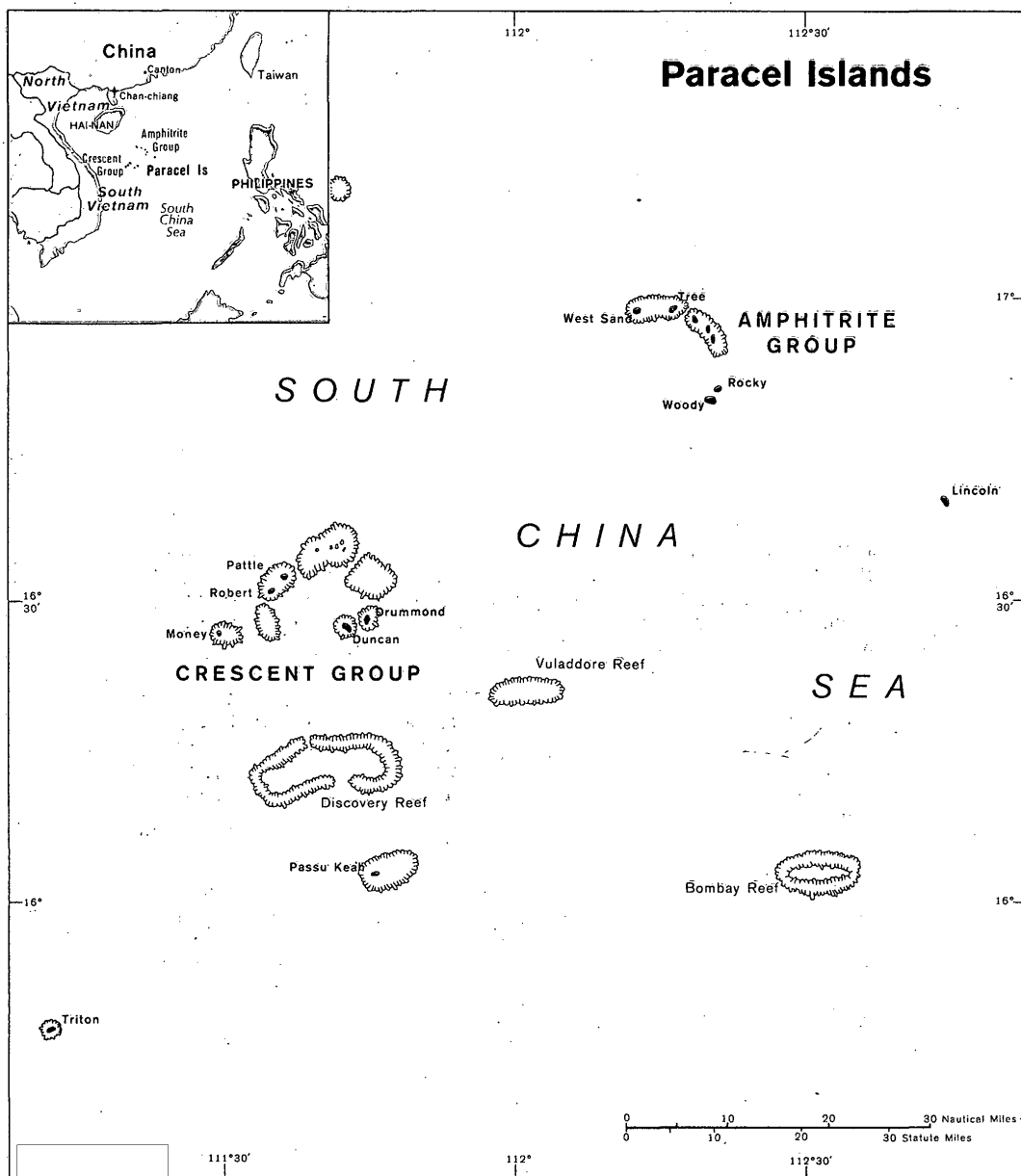
CAMBODIA

Fighting was light and indecisive along Phnom Penh's southern defenses over the weekend. Several minor Communist penetrations along the western end of the defense line were due more to jittery government defenders than to serious enemy pressure. Inconclusive skirmishing also occurred along the Bassac River southeast of the city.

There is still no indication as to when the Khmer Communists will commit major elements to the campaign. An intercepted message indicates that government pressure has made it difficult for at least one Communist unit to move into position. Other messages, however, make it clear that heavy fighting is in the offing.

Northwest of Phnom Penh, government troops made their first gains in over two weeks against enemy units dug in north of the airport. Recent intercepted messages reveal Communist concern over their inability to maintain pressure on the northern front until a major thrust occurs in the southwest.

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*FOR THE PRESIDENT ONLY***CHINA - SOUTH VIETNAM**

The Chinese gained complete control over the Paracel Islands yesterday. According to a South Vietnamese spokesman, the Chinese followed up yesterday morning's air strikes with an amphibious assault on Pattle, Money, and Robert islands and further clashes with South Vietnamese troops. Saigon has ordered its naval and air forces to withdraw from the area, and the South Vietnamese have abandoned their troops on the islands. Among those left behind is an American liaison officer from the defense attaché's office.

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Saigon has not commented as yet on casualties suffered in yesterday's fighting. It had admitted to some 8 killed, 39 wounded, and at least 67 missing in previous actions.

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Until recently, the South Vietnamese had maintained a presence only on Pattle Island. The appearance of Saigon's troops on neighboring islands may have provided the stimulus for Peking's military actions.

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NOTE

Argentina: President Peron has publicly declared war on terrorist groups in Argentina following yesterday's massive guerrilla attack on an army garrison some 300 miles south of the capital--a battle described as the biggest guerrilla operation so far. Recent government efforts to stem mounting terrorism have not been successful, and Peron can be expected to take stronger measures. He will undoubtedly press for quick passage of an antiterrorist bill now before Congress, and may push for more active military participation in countersubversion.

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